



OAHU REAL PROPERTY TAX ADVISORY COMMISSION
CITY AND COUNTY OF HONOLULU
530 South King Street, Room 202
Honolulu, Hawaii 96813

MINUTES OF THE COMMISSION'S THIRD MEETING:
September 14, 2017

Members Present: Nathan Okubo, Vice-chair
Shannon Alivado
Clayton Chun
Scott Higashi
Leonard K.P. Leong

Members Absent: Dennis Oshiro, Chair
Mark K. Murakami

Others Present: Todd Swisher, Commission Aide, Office of Council Services
Randall Young, Office of Council Services
Mark Segami, Council Media and Communications
Steven Takara, Real Property Assessment Division Administrator
Keith Yamashita, Real Property Appraisal Officer (BFS)

1. CALL TO ORDER

The meeting was called to order at 10:30 a.m. by Vice-chair Okubo. Chair Oshiro and Commissioner Murakami were excused from the meeting.

2. APPROVAL OF MINUTES: AUGUST 17, 2017

Vice-chair Okubo asked if there were any corrections to the draft minutes as circulated. Hearing none, and with no objections, the minutes of the August 17, 2017 meeting were approved.

3. ORAL TESTIMONY ON AGENDA ITEMS

Vice-chair Okubo called for oral testimony on all agenda items. No individuals signed up to speak and no testimony was offered.

4. NEW BUSINESS

(a) Report from Exemptions and Minimum Tax Subcommittee

Commissioner Alivado reported on a meeting of the Exemptions and Minimum Tax subcommittee held on September 1, 2017. Assistant Administrator Bob Magota of the Real Property Assessment Division (RPAD) provided members of the subcommittee with a handout concerning

real property tax rates for fiscal year 2018 across the counties. The discussion that ensued included comparison of classes and rates on Oahu with the neighbor islands. Members also discussed short-term rentals, timeshares, and the distinction between exemptions and dedications. The subcommittee requested a list of prior proposals related to exemptions and the minimum tax from RPAD. Going forward, subcommittee members were asked to offer ideas and proposals of their own.

Vice-chair Okubo thanked Commissioner Alivado for the report and noted that the Classifications subcommittee would be holding its first meeting on September 15, 2017.

(b) Discussion of subcommittee subject matter

Vice-chair Okubo asked if commissioners had questions about which topics should be before each subcommittee and if there were any ideas that seemed worthy of the Commission's attention but which did not fall neatly under the headings of Classifications or Exemptions and the Minimum Tax.

Commissioner Alivado referenced the handout provided to the Exemptions and Minimum Tax subcommittee by Assistant Administrator Magota, noting that Maui has a different set of classes than Oahu. She recommended the Classifications subcommittee look at the relationship between Maui's Commercialized Residential, Time Share, and Hotel and Resort classes. Short-term rentals are a possible area of focus for the Commission due to enforcement issues and lost City revenue. Commissioner Higashi stated that he had asked at the subcommittee meeting if there were other proposals the Department had made which had not been acted on by previous Commissions or the Council and which the Division might like the current Commission to consider. Vice-chair Okubo invited representatives from the Real Property Assessment Division to approach and offer input at any point during the discussion.

Commissioner Leong then asked about Transit-Oriented Development (TOD) and whether a new class should be created to align with the City's TOD policies. Commission Aide Todd Swisher noted that Bill 19 (2017), currently before the Council, would establish a TOD class. The bill passed Second Reading in March. Vice-chair Okubo asked if the text of all ten of the real property tax bills before the Council could be compiled in a single document for distribution to the commissioners, which the Commission Aide agreed to do following the meeting.

Vice-chair Okubo noted that there had not been any public testimony for the third meeting in a row and that the Commission would need to think about how to solicit input. The Commission Aide provided a summary of what outreach efforts had been made already, including a press release prepared with the assistance of the Council's Media and Communications team that went out on September 1st. The press release announced the Commission and invited the participation of members of the public. It was distributed to media organizations and City stakeholders and posted on the Council website, as well as the websites of at least two Councilmembers. Nevertheless, a generic announcement about a desire for participation may not be as effective as soliciting input on specific proposals. The Commission Aide offered to work with the Council's Media and Communications team to explore other means of generating publicity.

Vice-chair Okubo asked whether the Commission's recommendations should come in the form of detailed proposals, perhaps even with proposed legislation, or if broad concepts were sufficient. He noted that the 2014 Commission's report featured some bill-type language but did not include actual bills. Commissioner Chun stated that there may not be time to do the kind of analysis that would produce legislation, so the Commission may be better off recommending ideas or further action.

Commissioner Alivado noted that she had identified three or four items on the Real Property Assessment Division's wish list that may fall under the category of "housekeeping" and that those items may be a good place to start. She asked if the Division had prepared more detailed descriptions, or even draft bills, for these proposals. In response, Division Administrator Steven Takara stated that there were no draft bills and that the write-ups on the "wish list" were intended to initiate discussion. Commissioners could elaborate on the proposals, with support from the Division, which would be willing to do more analysis on behalf of the Commission. As an example, the Administrator referenced the fiscal impact research the Division had done in response to a request from Councilmember Elefante.

Administrator Takara asked if commissioners had any questions about the differences in classification schemes between the counties, which had been mentioned earlier. Commissioner Higashi referred to the Exemption and Minimum Tax subcommittee's interest in Maui's Time Share class. Time shares represent a growing proportion of the building inventory in Honolulu, so attention should be paid to their tax treatment. Administrator Takara referred to the Division's recommendation that all time shares be classified as Hotel and Resort for equity purposes, whereas some are currently classified as Residential. The Division would entertain the idea of creating a Time Share class, as Maui has done. The Administrator noted that identifying time shares would take work and cooperation with State agencies (Department of Taxation, Department of Commerce and Consumer Affairs). The Division would also communicate with Maui about how they identify time shares.

Commissioner Higashi stated his belief that, absent input from the public, the Division's recommendations are the best starting point for the Commission. Administrator Takara explained that the Division's recommendations came from their experience administering the tax system and their observations concerning fairness and equity. In reply to a question from Commissioner Higashi, Administrator Takara stated that the changes embodied in the recommendations would need to be done through ordinance.

Commissioner Alivado asked if writing the proposals up in bill form would attract more public attention than simply describing them. Administrator Takara stated that he believed the typical sequence was for legislation to be formulated *after* the Commission delivered its recommendations. Commission Aide Todd Swisher affirmed that the previous Commission's recommendations had been developed into bills, which were then introduced as a package.

Commissioner Higashi suggested that for the next month's agenda the Commission begin taking up the recommendations one at a time for discussion. Administrator Takara suggested that the Agricultural Development Task Force may want to give input on any agriculture-related proposals. Commissioner Alivado asked the Commission Aide if there would be any way to get in touch with the Task Force. The Commission Aide committed to doing so before the next Commission meeting.

Commissioner Alivado asked Administrator Takara if, given a recent deadline, residential dedication petitions had been submitted in a timely manner by individuals in mixed use districts. Administrator Takara gave background on the efforts the Division had undertaken to minimize unintended consequences of the ordinance change. The dedication is for five years and some property owners may choose not to make the commitment. Administrator Takara stated that the Division won't know how many individuals failed to take advantage of the dedication until assessments and tax bills go out. The Division is hoping to avoid a large volume of appeals. In reply to a question from Vice-chair Okubo, Administrator Takara affirmed that once deadlines to appeal are missed, individuals are out of options.

5. **ANNOUNCEMENTS**

The next meeting will be held on Thursday, October 12, 2017 at 10:30 a.m.

6. **ADJOURNMENT**

Hearing no objections from the six Commissioners present, Vice-chair Okubo adjourned the meeting at 11:06 a.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Todd Swisher". The signature is fluid and cursive, with a large initial "T" and a long, sweeping underline.

Todd Swisher
Commission Aide